

Statement of Investment Principles

Du Pont (U.K.) Limited Pensions Fund – Defined Contribution (DC) Section

(July 2021)

Introduction

- 1 This document is the Statement of Investment Principles ('SIP') made by the Trustee of the Du Pont (U.K.) Limited Pensions Fund ("the Fund") for its Defined Contribution Section in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it). It should be read in conjunction with other current SIPs in force for the Fund.
- 2 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee took written advice from the Fund's Investment Consultant (Willis Towers Watson Limited) and consulted DuPont (U.K.) Limited (the 'Employer'). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee. The Trustee will obtain advice on the suitability of its investments at least every three years in conjunction with reviewing this SIP.
- 3 The Trustee has established a Defined Contribution (DC) Sub-Committee. The purpose of the DC Sub-Committee is to monitor and make recommendations to the Trustee regarding the ongoing management of the Fund's DC assets and investment managers. The Company has been invited to attend DC Sub-Committee meetings.
- 4 The Fund's DC Section provides for benefits to be accrued on a money purchase basis, with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges.

Regulatory guidance

- 5 The Pensions Regulator has a number of regulatory tools, including issuing Codes of Practice to enable it to meet its statutory objectives. Codes of Practice provide practical guidelines on the requirements of pension legislation. This document has been drafted in the light of the Code of Practice and specifically its recommendations relating to the content of Statements of Investment Principles generally.

Choosing investments

- 6 The Trustee has appointed investment managers who are authorised under Financial Services and Markets Act 2000 to undertake investment business.
- 7 In selecting appropriate investments, the Trustee is aware of the need to provide a range of investment options, which broadly satisfy the risk profiles of all members, given that members' benefits will be directly determined by the value of the underlying investments. A range of investment options has been selected by the Trustee and is available to members. A full list of funds is available in the Appendix.

Investment strategy

- 8 The Trustee recognises that investment is essentially about decision making in an uncertain and complex environment. To help bring clarity to the decision-making process, the Trustee has established an investment beliefs framework which is in line with achieving the investment objective for the Fund.
- 9 The Trustee believes that following an effective set of investment beliefs allows a coherent and consistent approach to investment that leads to a better suite of options which are tailored to members' needs.
- 10 The Trustee has selected a range of self-select funds and lifestyle strategies to offer members a balanced range of investment options to allow members to match their investment choice against their own risk tolerance and retirement objectives.
- 11 The Fund provides investment fund options sourced through Aviva. A full list of the range of funds offered is shown in Appendix A.
- 12 To complement the self-select funds, the Trustee also makes available three Lifestyle strategies which offer automatic de-risking as members approach their target retirement age. The aim of the lifestyle strategies is for members to achieve a reasonable level of long-term growth on the investments over the majority of their working life with each strategy having a different de-risking glidepath and target retirement asset allocation, each designed to reflect how members may choose to access their DC savings in retirement (Cash, Annuity and Income Drawdown). All three strategies comply with the charge cap of 0.75%.
- 13 All three Lifestyle strategies have a consistent "growth phase" (which is the period more than 10 years from the member's selected retirement age). The strategies invest in the Aviva Blended Global Equity Fund before gradually switching into the LGIM Diversified Fund (Diversified Growth Fund) 20 years from the member's selected retirement age (until 10 years from retirement where members are wholly invested in the Diversified Growth Fund). The "consolidation phase" for each of the Lifestyle strategies are outlined below:
 - a Default Lifestyle strategy (called the "Default Lifestyle Cash") – 10 years from retirement members are wholly invested in the Diversified Growth Fund until 5 years from retirement, a proportion of the members' assets will be switched into BlackRock Institutional Sterling Liquidity Fund (Cash). At the members' target retirement age, the asset split is 70% Cash and 30% Diversified Growth Fund. This is with the expectation that members within the Default Lifestyle strategy will take their DC savings as a single or multiple cash lump sums.
 - b Annuity Lifestyle - 10 years from retirement, members start switching out of the Diversified Growth Fund into the Legal & General Pre-Retirement Fund (Pre-Retirement Fund). 5 years from retirement, 25% of members' assets will be switched into Cash. At the member's target retirement age, the asset split is 20% Diversified Growth Fund, 55% Pre-Retirement Fund and 25% Cash.
 - c Drawdown Lifestyle – 10 years from retirement, members start switching out of the Diversified Growth Fund into the Pre-Retirement Fund. 5 Years from retirement 25% of members' assets will be switched into Cash. At the member's target retirement age, members are invested in 60% Diversified Growth Fund, 15% Pre-Retirement Fund and 25% Cash.

Default options

- 14 The Trustee offers members the option to invest in the range of funds described in Appendix A entirely at their discretion. If members opt to join the Fund and do not make a choice, they will be automatically enrolled into the Default Lifestyle Cash (noted above) with a default target retirement age of 65.
- 15 The Trustee designed the Default Lifestyle Cash in conjunction with their investment advisers having given in-depth consideration to the Fund's demographic profile and the retirement outcome needs and risk tolerance of the membership. Due consideration was also given to the charge cap compliance.
- 16 In addition, when making changes to the Fund's investment fund range, the Trustee mapped certain investments for existing members held in funds being replaced as part of the investment changes to alternative investment options where the member did not make an alternative investment decision. This means that a number of other investment options are treated as default investment options. The Trustee took advice on the fund mapping and is satisfied that the resulting default options are suitable for members. The other investment options which are deemed default investment options through these mapping exercises are:

Aviva BlackRock UK Equity Index Tracker

Aviva BlackRock World ex UK Equity Index Tracker

Aviva BlackRock Sterling Liquidity

Aviva Legal & General (PMC) Ethical UK Equity Index

Aviva Blended Global Equity Fund

Aviva Legal & General (PMC) Pre-Retirement

Aviva BlackRock Corporate Bond All Stocks Index Tracker

Aviva LGIM Diversified

Expected Risk and Return

- 17 The investment options invest in the following assets and have the following risk and expected return characteristics:
 - a Equities – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be highly volatile in the short term.
 - b Diversified assets – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital value may be volatile in the short term although this is expected to be less than equities.

- c Property – allows members to gain exposure to an alternative asset class. By diversifying away from equities, the return seeking portion of the member's investment is less reliant on the equity risk premium and is expected to be less volatile than equities.
- d Bonds – capital values are likely to be less volatile than equities but tend to produce lower returns in the medium to long term. The value of bonds are expected to move broadly in line with the price of annuities, providing some protection to the 'purchasing power' of a member's account near retirement (for those members electing to purchase an annuity).
- e Cash – low risk to capital and asset values are easily realisable with limited investment returns associated with the low risk nature of the assets.

Investment managers

- 18 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Fund competently.
- 19 The Fund accesses its investments via an investment platform provider. The Fund uses a number of pooled funds to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question.
- To maintain alignment the managers are provided with a copy of this Statement and the Trustee will monitor the extent to which they give effect to the policies set out in it. Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment.
- 20 The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Fund's objectives, and an acceptable level of risk.
- 21 The Trustee delegates responsibility for engagement in respect of investments held by the Fund to the investment managers. This includes consideration of all financially material factors, and other relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG-related issues where relevant. The Trustee explores these issues with its managers to understand how they exercise these duties in practice, with an expectation that engagement will take place, either directly or as part of a collective multi-investor initiative as appropriate, with the aim of protecting or enhancing the value of the Fund's investments. The Trustee will monitor how the investment managers fulfil their responsibilities with regards voting and engagement through the regular reporting provided by the managers.
- 22 The Trustee appoints its investment managers on its selected investment platform with an expectation of a long-term partnership, which encourages active ownership of the Fund's assets. For most of the Fund's investments, the Trustee expects the investment managers to

invest with a medium to long time horizon, and to use their engagement activity where applicable to drive improved performance over these periods.

- 23 The Trustee, with the help of the Investment Consultant, reviews the costs incurred in managing the Fund's assets annually, which includes the costs associated with portfolio turnover. These costs are reported to members within the Annual Chair's Statement and are independently assessed as part of its value for members reporting.

The Trustee, with the help of the Investment Consultant, monitors annually that the level of portfolio turnover for each manager/mandate is within an acceptable range for that mandate.

- 24 When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

All funds are paid an ad valorem fee, in line with normal market practice, for a given scope of services agreed prior to investment. The scope of services will include consideration of long term factors and engagement where applicable.

Environmental, social and governance considerations

- 25 The Trustee recognises that factors including, but not limited to, environmental, social and governance (ESG) factors including climate change, can have a material financial impact on member's funds, and that taking account of such 'financially material considerations' as part of investment decision-making is expected to have a positive financial benefit over the longer term.
- 26 The Trustee's policy is that day-to-day decisions relating to the investment of Fund assets is left to the discretion of its investment managers. This includes consideration of all financially materially factors, including environmental, social and governance related issues where relevant. The Trustee explores these issues with its managers to understand how they exercise these duties in practice, with an expectation that engagement will take place, either directly or as part of a collective multi-investor initiative as appropriate
- 27 The Trustee's policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investments to the investment managers. The Trustee recognises the UK Stewardship Code as best practice and encourages their investment managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy.
- 28 The Trustee recognises that members may have views on ethical investment or views on matters such as the social and environmental impact of the Fund's investments (referred to as 'non-financial matters'). In conjunction with there being practical challenges of capturing and maintaining a consensus view on multiple issues across a varied membership population, it is the Trustee's view that financial factors should take precedence in seeking to maximise the security of member benefits. The Trustee makes available an ethically focussed fund as an option for members to self-select. The Trustee will consider member requests for alternative fund options as appropriate.

Risk management

- 29 The Trustee recognises investment risks specific to each member which can be managed by the range of investment options provided to the members. These are:
- i. 'Inflation risk' - the risk that the investment return over members' working lives does not keep pace with inflation and does not therefore secure an adequate pension.
 - ii. 'Sequencing risk' – the risk that members' investment allocation in the years prior to retirement do not match their retirement objectives, exposing members to inefficient or uncertain outcomes.
 - iii. 'Shortfall' or 'opportunity cost' risk - the risk that members end up with insufficient funds at retirement with which to secure a reasonable income.
 - iv. 'Manager risk' - the risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed.
 - v. 'Capital risk' - the risk of a fall in the value of the members' fund.
 - vi. 'Contributions at risk' – the ability of members to increase contributions in order to offset the effect of the adverse event.
 - vii. "Retirement at risk" – the ability of members to delay retirement in order to receive the level of income expected at retirement.
 - viii. 'Pension at risk' – the ability of members to accept a lower pension in retirement.

The funds offered through the Fund have been chosen in part to help mitigate these risks.

- 30 The Trustee recognises a number of risks involved in the investment of the assets of the Fund:

Manager risk:

- i. Is measured by the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- ii. Is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment processes.

Liquidity risk:

- i. Is measured by the amount of a pooled fund investment that can be redeemed by members over a specified period.
- ii. Is managed by typically offering members pooled funds that are readily redeemable in normal circumstances at reasonable prices. The Trustee makes available a Property Fund option which has had periods of suspension from disinvestments, following

issues with liquidity. The Trustee monitors the ongoing liquidity of the Property Fund and takes action accordingly.

Political risk:

- i. Is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- ii. Is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

Diversification risk:

- i. Is measured by observing the relative and absolute volatility of the investment options.
- ii. Is managed through the selection of broad-based funds that show internal diversification, as well as by offering the membership a fund range which provides for reasonable diversification.

Currency risk:

- i. Is measured by observing the difference between hedged and unhedged returns.
- ii. Is managed by providing membership with a number of Sterling based investment options and communicating those funds which invest overseas.

Suitability

- 31 The Trustee has taken advice from the Investment Consultant to ensure that the investment options are suitable for the DC Section members. The Trustee will continue to monitor, and take advice on, the various options on an ongoing basis.

Fee basis

- 32 Members bear the investment management charges on their investment. These fees are charged by adjustment to the unit prices within the funds, calculated daily on the value that day.

The Trustee is aware of the importance of fees for members over long periods and therefore takes into account the level of fees when selecting funds and seeks to negotiate improved terms where possible. The Trustee will keep this under periodic review.

Performance Objectives

- 33 Whilst the Trustee is not involved in each investment managers' day to day operations and therefore cannot directly influence attainment of the performance target, it will regularly assess performance and review appointments.

- 34 The investment managers set performance objectives and risk tolerances for each of the DC Section's funds. The Trustee considers these investment performance objectives to be appropriate to assess each fund's performance against.
- 35 The fund manager's investment objective will not be considered as an assurance or guarantee of the performance or risk of the Fund or any part of it.

Liquidity and realisation of investments

- 36 The members' accounts are held in funds which can be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement or fund switch. However, there have been occasions where liquidity issues have placed constraints on disinvestment timing from the Property Fund. The Trustee monitors this and acts accordingly.

Other matters

- 37 The Fund is a Registered Pension Scheme for the purposes of the Finance Act 2004.

Signed:

Name:

Date:

Authorised for and on behalf of the Trustee of the Fund

Appendix A

The Trustee currently offers the following range of funds through Aviva

Asset class	Name of fund	Benchmark	Fund objective	Default fund (Y/N)
Global Equity	Aviva Pension Blended Global Equity Fund	90% MSCI World, MSCI Emerging Markets Index	The fund invests primarily in equities in both the UK and overseas markets. The fund has approximately 90% invested into developed market equities with the 50% of the currency exposure hedged back to Sterling. The remaining 10% is invested in emerging markets equities. The fund aims to provide returns broadly consistent with the markets in which it invests.	Y
UK Equity	Aviva Pension MyM BlackRock UK Equity Index	FTSE All Share Index	Aims to achieve a return that is consistent with the return of the FTSE All-Share Index.	Y
Developed Equity	Aviva Pension MyM BlackRock World ex UK Equity Index	FTSE All World Developed ex UK Index	Aims to achieve returns in line with global equity markets, excluding the UK. Within each of those markets, the Fund aims to generate returns consistent with those of each country's primary share market.	Y
Emerging Markets Equity	Aviva Pension MyM BlackRock Emerging Markets Equity	MSCI Emerging Markets	Aims to achieve a return that is consistent with the return of the MSCI Emerging Markets Index.	N
Ethical	Aviva Pension MyM Legal & General Ethical UK Equity Index	FTSE4Good UK Equity Index	The fund aims to track the Sterling total return of the FTSE4Good UK Equity Index (including reinvested income, less withholding tax) to within +/- 0.5% per annum for two years in three.	Y

Diversified Growth	Aviva Pension MyM LGIM Diversified Fund	FTSE Developed World Index (50% hedged to sterling)	Aims to provide long term investment growth through exposure to a diversified range of asset classes. The fund will hold between 20% and 50% in bonds, the remaining 50% to 80% will be held in a range of assets which may include equities, property, commodities and the shares of infrastructure companies.	Y
Property	Aviva Pension MyM M&G Feeder of Property	IA Property	The aim of the fund is to deliver income and capital growth over the long term (that is, five years or more) solely through investments in the M&G Property Portfolio.	N
Cash	Aviva Pension MyM BlackRock Institutional Sterling Liquidity	7 Day LIBID	The fund aims to maximise the income generated on investment consistent with maintaining capital and ensuring its underlying assets can be easily bought or sold in the market in normal conditions.	Y
Pre-Retirement	Aviva Pension MyM Legal & General Pre- Retirement	ABI Sterling Long-Bond	The fund aims to provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product.	Y
Gilts	Aviva Pension MyM BlackRock Over 5 Year Index-Linked Gilt Index	FTSE UK Index-Linked Gilts Over 5 Years Index	The Fund aims to achieve a return consistent with the FTSE UK Index-Linked Gilts Over 5 Years Index.	N
	Aviva Pension MyM BlackRock Over 15 Year Gilt Index	FTSE UK Gilts Over 15 Years Index	The fund aims to achieve a return consistent with the FTSE UK Gilts Over 15 Years Index, which is widely regarded as the benchmark for the UK pension fund investment in the longer dated end of the UK gilt market	N
Bond	Aviva Pension MyM BlackRock Corporate Bond All Stocks Index	iBoxx £ Non Gilts Index	The Fund aims to achieve a return consistent with the Markit iBoxx £ Non-Gilts Index. This index covers the broad spectrum of investment grade corporate bonds in issue.	Y